
ADVANCED INVESTMENT SCHEMES ADMINISTRATION

DATE OF EXAM	6 DECEMBER 2007
3 HOURS	10.00 am – 1.00 pm
RUBRIC	SECTION A - <i>ALL</i> questions in this section are to be answered SECTION B – <i>ALL</i> questions in this section are to be answered SECTION C – <i>ONE</i> question in this section is to be answered SECTION D – <i>ONE</i> question in this section is to be answered

Candidates are reminded that no marks will be awarded for illegible work

NOTES TO CANDIDATES

1. Please insert your Candidate Number on the cover of your Answer Book. *Do not insert your name.*
2. Show *all* workings in your Answer Book.
3. Candidates may attempt the sections in any order. Please indicate clearly in your Answer Book which questions you are answering.
4. Please insert in the box provided on the cover of your Answer Book the numbers of the questions you have attempted in the order in which they appear in the Answer Book.
5. You may use only the calculator provided.
6. You must hand your Answer Book to an invigilator before you leave the Examination Hall. *Failure to do so will result in disqualification.*
7. The decision of the panel is final and no correspondence will be entered into concerning the grade awarded.
8. Once submitted, the examination scripts become the property of the Securities & Investment Institute and will not be returned to candidates.

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PLEASE TURN OVER WHEN INSTRUCTED

Answer ALL questions in this section

- 1 Outline the legislation applying to Pension Funds. *(3 marks)*
- 2 Discuss the main changes made by the Combined Code 2003. *(3 marks)*
- 3 Outline the key characteristics of local authority bonds. *(3 marks)*
- 4 Briefly set out the requirements regarding information on dividends in a company's accounts after 1st January 2005. *(3 marks)*
- 5 Briefly explain the particular areas of concern which exist about the promotion of with-profit bonds. *(3 marks)*
- 6 Information technology is now a vital aid for pension product administrators. Explain the key functions that should be available to administrators when dealing with investor enquiries and updating associated investor records. *(3 marks)*
- 7 Explain the responsibilities of managers and auditors as shown in the auditor's report. *(3 marks)*
- 8 The Sharpe and Treynor ratios are measures used to assess the relative return on assets. Outline the key characteristics of these two ratios. *(3 marks)*
- 9 In order to publish an authorised collective investment scheme prospectus, certain requirements must be adhered to. Outline what these requirements are. *(3 marks)*
- 10 What is the latest European directive concerning **investment funds** better known as and what are its key aims? *(3 marks)*

SECTION B**TOTAL 30 MARKS****Answer ALL questions in this section**

- 11 Discuss how a Collective Investment Scheme (CIS) must calculate tax on its income. *(10 marks)*
- 12 The Manager of an Authorised Unit Trust must satisfy the Financial Services and Markets Act (2000). Exactly what does this mean? *(10 marks)*
- 13 Give a brief overview of the various constituents which are used to complete a fund valuation (excluding derivatives). *(10 marks)*

SECTION C**TOTAL 20 MARKS****Answer ONE question in this section**

- 14 It is essential to meet the need for competent staff. In order for an authorised firm to continue to meet the threshold conditions for authorisation by the FSA:
- a) Explain the first step that is essential in any recruitment process. *(5 marks)*
 - b) Outline the FOUR alternative recruitment methods available, listing their relative merits. *(4 marks)*
 - c) Explain the various methods a company can use in the selection of appropriate staff. *(4 marks)*
 - d) Once a selection has been made, what must a company do to complete the selection process? *(3 marks)*
 - e) Identify FOUR different initial training methods which you might choose to employ. *(2 marks)*
 - f) Identify the FOUR key elements you would want to see in the content of any initial training programme. *(2 marks)*
- 15 There are a number of rules which are specific to particular forms of investment:
- a) What are the Collective Investment Schemes Sourcebook (COLL) rules specific to the Trust Deeds of Authorised Unit Trusts (AUTs)? *(6 marks)*

- b) Explain the rules that apply specifically to the Instruments of Incorporation of OEICs. *(3 marks)*
- c) What are the additional requirements of the OEIC Regulations 2001? *(5 marks)*
- d) Discuss the specific requirements for Umbrella OEICs. *(3 marks)*
- e) Discuss other matters that may be included in the Instrument of Incorporation. *(3 marks)*

SECTION D

TOTAL 20 MARKS

Answer ONE question in this section

- 16 An investment manager wishes to introduce a number of changes to a fund, particularly relating to its investment objectives and fee structure. You have been appointed as the project manager and have been asked to produce a detailed briefing note for the Board outlining the implications of these changes. *(20 marks)*
- 17 Your firm is considering outsourcing certain of its key administrative activities to a third-party administrator. You have been asked to prepare a discussion paper for the Board which will look at the issue, explaining the advantages and disadvantages, as well as any risks faced and their mitigation measures in order that a final decision can be made. *(20 marks)*